

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Higgins Township	County Roscommon
Audit Date March 31, 2004	Opinion Date September 8, 2004	Date Accountant Report Submitted to State: September 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Page, Olson & Company, P.C., CPA's			
Street Address 2865 S. Lincoln Road - P.O. Box 368	City Mt. Pleasant	State MI	ZIP 48804-0368
Accountant Signature 			

HIGGINS TOWNSHIP, ROSCOMMON COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2004



HIGGINS TOWNSHIP  
YEAR ENDED MARCH 31, 2004

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HIGGINS TOWNSHIP  
YEAR ENDED MARCH 31, 2004

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HIGGINS TOWNSHIP  
BOARD OFFICIALS  
YEAR ENDED MARCH 31, 2004

SUPERVISOR

June Karjalainen

TREASURER

Laurie Granlund

CLERK

Terry Morley

TRUSTEES

Jim Hodges

Tony West





PAGE

OLSON &amp;

COMPANY P.C.

## INDEPENDENT AUDITORS' REPORT

September 8, 2004

Township Board  
Higgins Township  
Roscommon County, Michigan

We have audited the accompanying statements of assets and liabilities arising from cash transactions of the individual funds of the Township of Higgins as of March 31, 2004 and the related statements of revenues collected, expenditures paid, and changes in cash basis fund balance for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township of Higgins has a population of less than 4,000 people and is therefore required by Act 146, Public Acts of 1996 of the State of Michigan, to obtain an independent audit only biannually. The preceding year has thus not been audited; however, we have performed various tests of the opening balances.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

The general purpose of financial statements of the Township do not include a general fixed assets account group as required by accounting principles generally accepted in the United States.

In our opinion, except for the effects of the matters discussed above, the financial statements listed in the Table of Contents do present fairly the assets, liabilities, and cash basis fund balances of the individual funds of the Township of Higgins as of March 31, 2004, arising from cash transactions, and its revenue collected, expenditures paid, and changes in cash basis fund balances for the year then ended, on the basis of accounting described in Note 1-C.

Township Board  
Higgins Township  
Roscommon County, Michigan

Our audit was performed for the purpose of forming an opinion on the financial statement of the Township of Higgins. Various supplemental financial data identified as Exhibits and Schedules in the Table of Contents and included in the report is not considered necessary for a fair presentation of financial position and results of operations but is presented primarily for supplemental analysis purposes. This additional information has been subjected to the audit procedures applied in the audit of the financial statement exhibits and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement exhibits taken as a whole.

Our report of comments and recommendations is included herein and forms a part of this report.

*Page, Olson & Company*



HIGGINS TOWNSHIP  
COMBINED STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
ALL FUND TYPES  
MARCH 31, 2004

Statement I

	Governmental Funds			Trust and Agency Funds	(Memorandum Only) Total
	General Fund	Special Revenue Funds	Capital Projects Funds		
<b>ASSETS</b>					
Cash	\$ 84,388	\$ 43,294	\$ -	\$ 3,964	\$ 131,646
Investments	170,607	157,959	119,823	106	448,495
Due From Other Funds	350	-	-	-	350
Advances To Other Funds	12,000	-	-	-	12,000
<b>TOTAL ASSETS</b>	<b>\$267,345</b>	<b>\$ 201,253</b>	<b>\$ 119,823</b>	<b>\$ 4,070</b>	<b>\$ 592,491</b>
<b>LIABILITIES AND CASH BASIS FUND BALANCE</b>					
<b>LIABILITIES</b>					
Advances from Other Funds	\$ -	\$ 12,000	\$ -	\$ -	\$ 12,000
Due to Other Funds	-	-	-	350	350
Payroll Withholdings Payable	-	-	-	844	844
Undistributed Taxes	-	-	-	2,876	2,876
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>12,000</b>	<b>-</b>	<b>4,070</b>	<b>16,070</b>
<b>CASH BASIS FUND BALANCE</b>					
Reserved for Public Improvement	-	12,995	-	-	12,995
Reserved for Capital Outlay	-	-	119,823	-	119,823
Reserved for Advances to Other Funds	12,000	-	-	-	12,000
Unreserved	255,345	176,258	-	-	431,603
<b>TOTAL CASH BASIS FUND BALANCE</b>	<b>267,345</b>	<b>189,253</b>	<b>119,823</b>	<b>-</b>	<b>576,421</b>
<b>TOTAL LIABILITIES AND CASH BASIS FUND BALANCE</b>	<b>\$267,345</b>	<b>\$ 201,253</b>	<b>\$ 119,823</b>	<b>\$ 4,070</b>	<b>\$ 592,491</b>

The accompanying notes are an integral part of the financial statements.



HIGGINS TOWNSHIP  
COMBINED STATEMENT OF REVENUE COLLECTED,  
EXPENDITURES PAID, AND CHANGES IN CASH BASIS  
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED MARCH 31, 2004

Statement II

	General Fund	Special Revenue Funds	Capital Projects Funds	(Memorandum Only) Total
<b>REVENUE COLLECTED</b>				
Property Taxes	\$ 165,953	\$ 165,407	\$ -	\$ 331,360
Intergovernmental Revenue	69,565	-	-	69,565
Permits	-	13,700	-	13,700
Charges for Services and Sales	-	95,483	8,600	104,083
Interest and Dividend Earnings	1,487	1,144	459	3,090
GHHS - Summer Tax Collections	6,378	-	-	6,378
Miscellaneous	3,757	400	-	4,157
<b>TOTAL REVENUE COLLECTED</b>	<b>247,140</b>	<b>276,134</b>	<b>9,059</b>	<b>532,333</b>
<b>EXPENDITURES</b>				
General Government	109,132	-	-	109,132
Public Safety	475	149,490	-	149,965
Public Works	4,075	-	-	4,075
Sanitation	83,177	-	-	83,177
Recreation and Culture	2,250	-	-	2,250
Planning	5,134	-	-	5,134
Other Functions	34,372	-	-	34,372
Code Enforcement	-	12,235	-	12,235
Public Improvement	-	38,992	-	38,992
Capital Outlay	-	10,135	-	10,135
Truck Payment	-	-	62,963	62,963
<b>TOTAL EXPENDITURES PAID</b>	<b>238,615</b>	<b>210,852</b>	<b>62,963</b>	<b>512,430</b>
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID</b>	<b>8,525</b>	<b>65,282</b>	<b>(53,904)</b>	<b>19,903</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	5,000	63,528	68,528
Operating Transfers Out	(5,000)	(63,528)	-	(68,528)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,000)</b>	<b>(58,528)</b>	<b>63,528</b>	<b>-</b>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES</b>	<b>3,525</b>	<b>6,754</b>	<b>9,624</b>	<b>19,903</b>
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	<b>263,820</b>	<b>182,499</b>	<b>110,199</b>	<b>556,518</b>
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	<b>\$ 267,345</b>	<b>\$ 189,253</b>	<b>\$ 119,823</b>	<b>\$ 576,421</b>

The accompanying notes are an integral part of the financial statements.

HIGGINS TOWNSHIP  
COMBINED STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND  
CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL - ALL GOVERNMENT FUND TYPES  
YEAR ENDED MARCH 31, 2004

Statement III

	General Fund			Special Revenue Funds			Capital Projects Funds		
	Budget	Actual	(Over) Under Budget	Budget	Actual	(Over) Under Budget	Budget	Actual	(Over) Under Budget
<b>REVENUE COLLECTED</b>									
Property Taxes	\$159,593	\$165,953	\$ (6,360)	\$166,760	\$165,407	\$ 1,373	\$ -	\$ -	\$ -
Intergovernmental Revenue	72,000	69,565	2,435	-	-	-	-	-	-
Permits	-	-	-	11,000	13,700	(2,700)	-	-	-
Charges for Services and Sales	-	-	-	70,000	95,483	(25,483)	-	-	-
Interest and Dividend Earnings	3,000	1,487	1,513	6,500	1,144	5,356	8,600	8,600	-
GHHS - Summer Tax Collections	6,100	6,378	(278)	-	-	-	1,850	459	1,391
Contributions and Donations	-	-	-	-	-	-	-	-	-
Miscellaneous	5,800	3,757	2,043	1,000	400	600	-	-	-
<b>TOTAL REVENUE COLLECTED</b>	<b>246,493</b>	<b>247,140</b>	<b>(647)</b>	<b>255,260</b>	<b>276,134</b>	<b>(20,854)</b>	<b>10,450</b>	<b>9,059</b>	<b>1,391</b>
<b>EXPENDITURES PAID</b>									
General Government	113,760	109,132	4,628	-	-	-	-	-	-
Public Safety	475	475	-	163,448	149,490	13,958	-	-	-
Public Works	4,500	4,075	425	-	-	-	-	-	-
Sanitation	84,117	83,177	940	-	-	-	-	-	-
Recreation and Culture	2,250	2,250	-	-	-	-	-	-	-
Planning	5,150	5,134	16	-	-	-	-	-	-
Other Functions	34,477	34,372	105	-	-	-	-	-	-
Code Enforcement	-	-	-	12,490	12,235	255	-	-	-
Public Improvement	-	-	-	48,639	38,992	9,647	-	-	-
Capital Outlay	-	-	-	16,804	10,135	6,669	-	-	-
Truck Payment	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	62,139	62,963	(824)
<b>TOTAL EXPENDITURES PAID</b>	<b>244,729</b>	<b>238,515</b>	<b>6,114</b>	<b>241,381</b>	<b>210,852</b>	<b>30,529</b>	<b>62,139</b>	<b>62,963</b>	<b>(824)</b>
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID</b>	<b>1,764</b>	<b>8,525</b>	<b>(6,761)</b>	<b>13,879</b>	<b>65,282</b>	<b>(51,383)</b>	<b>(51,689)</b>	<b>(53,904)</b>	<b>567</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating Transfers In	(5,000)	(5,000)	-	5,000	5,000	-	63,528	63,528	-
Operating Transfers Out	-	-	-	(63,528)	(63,528)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>-</b>	<b>(58,528)</b>	<b>(58,528)</b>	<b>-</b>	<b>63,528</b>	<b>63,528</b>	<b>-</b>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES</b>	<b>(3,236)</b>	<b>3,525</b>	<b>(6,761)</b>	<b>(44,629)</b>	<b>6,754</b>	<b>(51,383)</b>	<b>11,839</b>	<b>9,624</b>	<b>567</b>
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	<b>263,820</b>	<b>263,820</b>	<b>-</b>	<b>182,499</b>	<b>182,499</b>	<b>-</b>	<b>110,199</b>	<b>110,199</b>	<b>-</b>
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	<b>\$260,584</b>	<b>\$267,345</b>	<b>\$ (6,761)</b>	<b>\$137,870</b>	<b>\$189,253</b>	<b>\$ (51,383)</b>	<b>\$122,038</b>	<b>\$119,823</b>	<b>\$ 567</b>

The accompanying notes are an integral part of the financial statements.



HIGGINS TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Higgins Township is a township with a population of less than 4,000 people. The Township is governed by a five-member board of officials, elected by the Township electorate.

**A. DEFINITION OF THE REPORTING ENTITY**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14.

Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding operational and financial relationship with the Township. Higgins Township does not have any component units.

**B. BASIS OF PRESENTATION**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures, as appropriate.

The various funds of the Township are as follows:

**GOVERNMENTAL FUNDS**

**General Fund-** This Fund is used to account for all financial transactions except those required to be accounted for in another fund. The Fund includes the general operating expenditures of Higgins Township. Revenue is derived primarily from property taxes, state distributions, rentals and other intergovernmental revenues.

**Special Revenue Funds-** These Funds are used to account for specific governmental revenue (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

**Capital Projects Funds-** These Funds are used to account for the acquisition of capital assets and facilities, and major projects.

**FIDUCIARY FUNDS**

Agency funds are used to account for assets held by the Township as an agent for individuals, private organizations, employees, other governments, and/or other funds.



HIGGINS TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. BASIS OF ACCOUNTING**

Basis of accounting refers to how revenue and expenditures are recognized in the accounts and reported in the financial statements.

The accounting books and records of the Township of Higgins are maintained on a cash basis of accounting during the year and the financial statements have been prepared directly from these books and records. The financial statements do not, therefore, give effect to accounts receivable, accounts payable, and accrued items.

**D. BUDGETARY COMPARISONS**

Budgets are adopted by Higgins Township for the General, Special Revenue, and Capital Projects Funds. Generally accepted accounting principles require that the financial statements present budgetary comparisons for the General and Special Revenue Funds and for other governmental funds for which budgets are legally adopted. Accordingly, Statement III includes a comparison to the formally adopted budgets for the General, Special Revenue, and Capital Projects Funds.

Initially adopted budgets were altered throughout the year through budget amendments. The budget amounts reported reflect all amendments adopted. Budget appropriations lapse at each fiscal year end.

**E. CASH AND INVESTMENTS**

Township investments are stated at cost and consist of money market savings accounts and short-term investment funds.

**F. INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as Due from Other Funds and Due to Other Funds on the Balance Sheet.

In addition, at times there are long term advances made between one fund and another. These receivables and payables are classified as Advances to Other Funds and Advances from Other Funds on the Balance Sheet.

**G. FIXED ASSETS**

Purchases of Fixed Assets are recorded as expenditures in the General, Special Revenue, and Capital Projects Funds at the time of acquisition. Generally accepted accounting principles require the Township to accumulate these expenditures in the general fixed asset account group. The Township does not keep records for its general fixed assets and as such there is no general fixed assets account group included in these financial statements. Infrastructure assets are not capitalized.



HIGGINS TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**H. FUND EQUITY**

Reservations are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure.

**I. PROPERTY TAXES**

Higgins Township levies a millage of 1.3500 mills for general operations, 3.00 mills for fire department operations, and 1.0 mill for ambulance services.

The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 14, at which date they become delinquent.

Receipts of current and delinquent property taxes are recorded as revenue in the year in which received. Roscommon County, the county in which Higgins Township is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers. Delinquent personal property taxes are recognized as revenue in the year collected.

**J. TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not represent financial position or results of operations.

NOTE 2- CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in one financial institution in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities and other obligations of the United States or an agency or instrumentality of the United States; bankers' acceptances of United States banks; obligations of this State or any of its political subdivision that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investments by a public corporation; obligations described above if purchased through an inter-local agreement under the urban cooperations act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118, and the investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.



HIGGINS TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

At year end, the carrying value of cash and investments held by Higgins Township is as follows:

Petty Cash	\$ 100
Deposits with Financial Institutions Checking and Savings	<u>131,546</u>
Total Cash	\$ 131,646
Investments Governmental Operating Money Market Fund	<u>448,495</u>
Grand Total	<u>\$ 580,141</u>

**Deposits with Financial Institutions**

At year end, the carrying amount of Higgins Township deposits with financial institutions was \$131,456 and the bank balance was \$142,593. \$100,000 was covered by the Federal Depository Insurance Corporation.

Larger amounts on deposit with the financial institutions were uninsured and uncollateralized during the year than at year end due to collections of property taxes being made over short periods of time.

**Investments**

Township investments can be classified into three categories to give an indication of the level of risk assumed by the Township. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name.

An exception to this classification requirement is investments in an investment pool or in short term funds which are disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry form.

The Township's investments held at year end are classified as follows:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Investment in Governmental Operating Money Market Fund	\$ -	\$ -	\$ -	\$ 448,495	\$ 448,814



HIGGINS TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004

**NOTE 3 - INTERFUNDS**

Interfund receivable and payable balances at March 31, 2004 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>GENERAL FUND</b>		
Current Tax Collections	\$ 350	\$ -
Fire Fund	6,000	-
Ambulance Fund	6,000	-
<b>FIRE FUND</b>		
General Fund	-	6,000
<b>AMBULANCE FUND</b>		
General Fund	-	6,000
<b>TRUST AND AGENCY FUND</b>		
Current Tax Collections	-	-
General Fund	-	350
<b>Grand Total</b>	<u>\$ 12,350</u>	<u>\$ 12,350</u>

There were no provisions for interest on the advances.

**OPERATING TRANSFERS**

The following is a reconciliation of Operating Transfers made between fund types during the year ended March 31, 2004.

	<u>Transfers Out</u>	<u>Transfers In</u>
<b>GENERAL FUND</b>		
Public Improvements Fund	\$ 5,000	\$ -
<b>SPECIAL REVENUE FUNDS</b>		
Public Improvements Fund		
General Fund	-	5,000
Fire Fund	58,528	-
Fire Equipment Fund	-	58,528
Ambulance Fund	5,000	-
Ambulance Vehicle Fund	-	5,000
<b>CAPITAL PROJECTS FUNDS</b>	<u>\$ 68,528</u>	<u>\$ 68,528</u>

HIGGINS TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004

NOTE 4 - FUND EQUITY

RESERVED FUND BALANCE

**General Fund-** The Fund Balance of the General Fund has been reserved in the amount of \$12,000 for advances to other funds.

**Special Revenue Funds-** The Fund balance of the Public Improvement Fund has been reserved in the amount of \$12,995 to indicate the resources of the fund are to be used only for public improvements.

**Capital Projects Funds-** The entire Fund Balance, \$119,823 of the Capital Projects Funds are reserved for Capital Outlay.

NOTE 5 - PENSION PLAN

The Township's Defined Contribution Pension Plan investments are held in trust by the fiduciary, Manufacturers Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township pension plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system. The plan is available for all Township Officials and employees. Contributions to the Pension Investment Plan are based on 13% of compensation. Employees can also make voluntary deductions to the plan. Benefits in the plan vest immediately at 100%.

For the year ended March 31, 2004, the Township made its required contribution of \$7,444. The value of the plan's assets and vested benefits as of March 31, 2004 is \$114,788.

NOTE 6 - CHANGES IN FINANCIAL REPORTING

The Construction Code Enforcement Fund - This special revenue fund was established to account for the operations of enforcing the construction code. These operations were previously included in the General Fund.

NOTE 7 - SUBSEQUENT EVENT

Subsequent to March 31, 2004 the following event occurred:

On April 5, 2004 the Township approved the purchase of a new ambulance in the amount of \$87,261.

HIGGINS TOWNSHIP  
GENERAL FUND  
STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit A-1

**ASSETS**

Petty Cash	\$ 100
Cash in Checking	50
Cash in Savings	<u>84,238</u>

Total Cash

84,388

Investments

170,607

Due From Other Funds

350

Advances to Other Funds

12,000

TOTAL ASSETS

\$267,345

**LIABILITIES AND CASH BASIS FUND BALANCE**

CASH BASIS FUND BALANCE

Reserved for Advances to Other Funds

\$ 12,000

Unreserved

255,345

TOTAL CASH BASIS FUND BALANCE

\$267,345



HIGGINS TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND  
CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2004

Exhibit A-2

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
<b>REVENUE COLLECTED</b>			
<b>Property Taxes</b>			
Current Property Taxes - 2001 Levy	\$ 57,213	\$ 57,705	(492)
Special Assessment - Trash Pickup	71,380	76,712	(5,332)
Swamp Land Taxes	31,000	31,536	(536)
Total Property Taxes	159,593	165,953	(6,360)
<b>Intergovernmental Revenue</b>			
State Shared Revenue	72,000	69,565	2,435
<b>Interest and Dividend Earnings</b>	3,000	1,487	1,513
<b>Miscellaneous</b>	4,000	1,957	2,043
<b>GHHS - Summer Tax Collection</b>	6,100	6,378	(278)
<b>Clerical Billings - From Ambulance</b>	1,800	1,800	-
<b>TOTAL REVENUE COLLECTED</b>	246,493	247,140	(647)
<b>EXPENDITURES PAID</b>			
<b>General Government</b>			
Township Board	19,984	18,245	1,739
Supervisor	11,495	11,334	161
Assessor	26,759	26,753	6
Attorney	1,085	553	532
Clerk	16,457	16,047	410
Board of Review	1,000	908	92
Treasurer	19,523	19,079	444
Township Hall and Grounds	17,457	16,213	1,244
Total General Government	113,760	109,132	4,628
<b>Public Safety</b>			
Police	475	475	-
<b>Public Works</b>			
Street Lighting	4,500	4,075	425
<b>Sanitation</b>			
Compost Site	9,017	9,016	1
Trash Pick-up	75,100	74,161	939
Total Sanitation	84,117	83,177	940

HIGGINS TOWNSHIP  
GENERAL FUND  
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND  
CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2004

Exhibit A-2

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b>EXPENDITURES PAID (CONTINUED)</b>			
<b>Recreation and Culture</b>			
Parks Contribution	\$ 1,750	\$ 1,750	\$ -
Fireworks Contribution	500	500	-
Total Recreation and Culture	2,250	2,250	-
<b>Planning</b>			
Zoning Administrator	5,150	5,134	16
<b>Other Functions</b>			
Insurance Not Charged to Specific Activities	22,000	21,896	104
Fringe Benefits	12,477	12,476	1
Total Other Functions	34,477	34,372	105
<b>TOTAL EXPENDITURES</b>	<u>244,729</u>	<u>238,615</u>	<u>6,114</u>
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID</b>	1,764	8,525	(6,761)
<b>OTHER FINANCING (USES)</b>			
Operating Transfer Out - Public Improvement Fund	(5,000)	(5,000)	-
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES</b>	(3,236)	3,525	(6,761)
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	<u>263,820</u>	<u>263,820</u>	<u>-</u>
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	<u>\$ 260,584</u>	<u>\$ 267,345</u>	<u>\$ (6,761)</u>

HIGGINS TOWNSHIP  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit B-1

	State Construction Code Enforcement Fund	Fire Fund	Ambulance Fund	Public Improvement Fund	Total
<b>ASSETS</b>					
Cash in Checking	\$ -	\$ 50	\$ 50	\$ -	\$ 100
Cash in Savings	4,242	24,947	14,005	-	43,194
Investments	-	24,903	120,061	12,995	157,959
<b>TOTAL ASSETS</b>	<u>\$ 4,242</u>	<u>\$ 49,900</u>	<u>\$ 134,116</u>	<u>\$ 12,995</u>	<u>\$ 201,253</u>
<b>LIABILITIES AND CASH BASIS FUND BALANCE</b>					
<b>LIABILITIES</b>					
Advances from Other Funds	\$ -	\$ 6,000	\$ 6,000	\$ -	\$ 12,000
<b>CASH BASIS FUND BALANCE</b>					
Reserved for Public Improvement	-	-	-	12,995	12,995
Unreserved	4,242	43,900	128,116	-	176,258
<b>TOTAL CASH BASIS FUND BALANCE</b>	<u>4,242</u>	<u>43,900</u>	<u>128,116</u>	<u>12,995</u>	<u>189,253</u>
<b>TOTAL LIABILITIES AND CASH BASIS FUND BALANCE</b>	<u>\$ 4,242</u>	<u>\$ 49,900</u>	<u>\$ 134,116</u>	<u>\$ 12,995</u>	<u>\$ 201,253</u>



HIGGINS TOWNSHIP  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEAR ENDED MARCH 31, 2004

Exhibit B-2

	State Construction Code Enforcement Fund	Fire Fund	Ambulance Fund	Public Improvement Fund	Total
<b>REVENUE COLLECTED</b>					
Current Property Taxes	\$ -	\$ 122,799	\$ 42,608	\$ -	\$ 165,407
Charges for Services	-	-	95,483	-	95,483
Interest	-	170	756	218	1,144
Miscellaneous	-	400	-	-	400
Permits	13,700	-	-	-	13,700
<b>TOTAL REVENUE COLLECTED</b>	13,700	123,369	138,847	218	276,134
<b>EXPENDITURES PAID</b>					
Code Enforcement	12,235	-	-	-	12,235
Public Safety	-	42,068	107,422	-	149,490
Capital Outlay	-	9,750	385	-	10,135
Public Improvement	-	-	-	38,992	38,992
<b>TOTAL EXPENDITURES PAID</b>	12,235	51,818	107,807	38,992	210,852
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID</b>	1,465	71,551	31,040	(38,774)	65,282
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	-	-	-	5,000	5,000
Operating Transfers Out	-	(58,528)	(5,000)	-	(63,528)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	(58,528)	(5,000)	5,000	(58,528)
<b>EXCESS OF REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES</b>	1,465	13,023	26,040	(33,774)	6,754
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	2,777	30,877	102,076	46,769	182,499
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	\$ 4,242	\$ 43,900	\$ 128,116	\$ 12,995	\$ 189,253

HIGGINS TOWNSHIP  
STATE CONSTRUCTION CODE ENFORCEMENT FUND  
STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit C-1

**ASSETS**

Cash in Savings

\$ 4,242

**LIABILITIES AND CASH BASIS FUND BALANCE**

CASH BASIS FUND BALANCE

\$ 4,242

STATE CONSTRUCTION CODE ENFORCEMENT FUND  
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND  
CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2004

Exhibit C-2

**REVENUE COLLECTED**

Building Permits

Plumbing and Mechanical Permits

Electrical Permits

<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
\$ 4,500	\$ 5,477	\$ (977)
4,000	5,050	(1,050)
<u>2,500</u>	<u>3,173</u>	<u>(673)</u>
11,000	13,700	(2,700)

TOTAL REVENUE COLLECTED

**EXPENDITURES PAID**

**Code Enforcement**

Plumbing and Mechanical Inspector Wages

Electrical Inspector Wages

Building Inspector Wages

4,775	4,521	254
5,020	5,019	1
<u>2,695</u>	<u>2,695</u>	<u>-</u>
<u>12,490</u>	<u>12,235</u>	<u>255</u>

TOTAL EXPENDITURES PAID

EXCESS REVENUE COLLECTED OVER  
(UNDER) EXPENDITURES PAID

(1,490)	1,465	(2,955)
---------	-------	---------

CASH BASIS FUND BALANCE - BEGINNING OF YEAR

<u>2,777</u>	<u>2,777</u>	<u>-</u>
--------------	--------------	----------

CASH BASIS FUND BALANCE - END OF YEAR

<u>\$ 1,287</u>	<u>\$ 4,242</u>	<u>\$ (2,955)</u>
-----------------	-----------------	-------------------



HIGGINS TOWNSHIP  
FIRE FUND  
STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit D-1

**ASSETS**

Cash in Checking  
Cash in Savings  
Investments

\$ 50  
24,947  
24,903

TOTAL ASSETS

\$ 49,900

**LIABILITIES AND CASH BASIS FUND BALANCE**

**LIABILITIES**

Advance from Other Funds

\$ 6,000

CASH BASIS FUND BALANCE

43,900

TOTAL LIABILITIES AND FUND BALANCE

\$ 49,900

HIGGINS TOWNSHIP  
FIRE FUND  
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND  
CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2004

Exhibit D-2

	Budget	Actual	(Over) Under Budget
<b>REVENUE COLLECTED</b>			
Current Property Taxes - 2001 Levy	\$ 124,400	\$ 122,799	\$ 1,601
Interest	3,000	170	2,830
Miscellaneous	1,000	400	600
<b>TOTAL REVENUE COLLECTED</b>	128,400	123,369	5,031
<b>EXPENDITURES PAID</b>			
<b>Public Safety</b>			
Salaries and Wages	24,000	19,436	4,564
Memberships and Dues	1,300	1,227	73
Insurance	7,635	6,891	744
Operating Supplies	4,000	2,511	1,489
Repairs and Maintenance	6,500	3,391	3,109
Medical	400	-	400
Miscellaneous	500	150	350
Fire Hall			
Utilities	3,565	3,540	25
Communications	647	647	-
Postage	100	48	52
Contractual Services	5,425	4,227	1,198
<b>Total Public Safety</b>	54,072	42,068	12,004
<b>Capital Outlay</b>	15,800	9,750	6,050
<b>TOTAL EXPENDITURES PAID</b>	69,872	51,818	18,054
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID</b>	58,528	71,551	(13,023)
<b>OTHER FINANCING (USES)</b>			
Operating Transfer Out - Fire Equipment Fund	(58,528)	(58,528)	-
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES</b>	-	13,023	(13,023)
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	30,877	30,877	-
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	\$ 30,877	\$ 43,900	\$ (13,023)



HIGGINS TOWNSHIP  
 AMBULANCE FUND  
 STATEMENT OF ASSETS AND LIABILITIES  
 ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit E-1

**ASSETS**

Cash in Checking  
 Cash in Savings  
 Investments

\$ 50  
 14,005  
120,061

TOTAL ASSETS

\$ 134,116

**LIABILITIES AND CASH BASIS FUND BALANCE**

**LIABILITIES**

Advance from Other Funds

\$ 6,000

CASH BASIS FUND BALANCE

128,116

TOTAL LIABILITIES AND CASH BASIS FUND BALANCE

\$ 134,116

HIGGINS TOWNSHIP  
AMBULANCE FUND  
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND  
CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2004

Exhibit E-2

	Budget	Actual	(Over) Under Budget
<b>REVENUE COLLECTED</b>			
Current Property Taxes - 2001 Levy	\$ 42,380	\$ 42,608	\$ (228)
Charges for Services	70,000	95,483	(25,483)
Interest	3,000	756	2,244
<b>TOTAL REVENUE COLLECTED</b>	<b>115,380</b>	<b>138,847</b>	<b>(23,467)</b>
<b>EXPENDITURES PAID</b>			
<b>Public Safety</b>			
Salaries and Wages	42,000	41,817	183
Memberships and Dues	2,675	2,315	360
Insurance	4,517	4,159	358
Operating Supplies	5,411	5,300	111
Repairs and Maintenance	4,349	4,307	42
Contractual Services	8,970	8,970	-
Mutual Aid	-	-	-
Miscellaneous	150	52	98
Medical	100	-	100
Legal	300	90	210
Clerical	2,050	2,010	40
Intercepts	29,850	29,850	-
Ambulance Hall			
Public Utilities	3,565	3,540	25
Communications	654	654	-
Postage	172	171	1
Contractual Services	3,825	3,756	69
Building and Grounds	788	431	357
<b>Total Public Safety</b>	<b>109,376</b>	<b>107,422</b>	<b>1,954</b>
<b>Capital Outlay</b>	<b>1,004</b>	<b>385</b>	<b>619</b>
<b>TOTAL EXPENDITURES PAID</b>	<b>110,380</b>	<b>107,807</b>	<b>2,573</b>
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID</b>	<b>5,000</b>	<b>31,040</b>	<b>(26,040)</b>
<b>OTHER FINANCING (USES)</b>			
Operating Transfer Out - Ambulance Vehicle Fund	(5,000)	(5,000)	-
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES</b>	<b>-</b>	<b>26,040</b>	<b>(26,040)</b>
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	<b>102,076</b>	<b>102,076</b>	<b>-</b>
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	<b>\$ 102,076</b>	<b>\$ 128,116</b>	<b>\$(26,040)</b>



HIGGINS TOWNSHIP  
PUBLIC IMPROVEMENT FUND  
STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit F-1

**ASSETS**

Investments

\$ 12,995

**LIABILITIES AND CASH BASIS FUND BALANCE**

CASH BASIS FUND BALANCE

Reserved for Public Improvements

\$ 12,995

PUBLIC IMPROVEMENT FUND  
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND  
CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2004

Exhibit F-2

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
<b>REVENUE COLLECTED</b>			
Interest	\$ 500	\$ 218	\$ 282
<b>EXPENDITURES PAID</b>			
Public Improvement			
Road Improvements	<u>48,639</u>	<u>38,992</u>	<u>9,647</u>
TOTAL EXPENDITURES PAID	<u>48,639</u>	<u>38,992</u>	<u>9,647</u>
EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	(48,139)	(38,774)	(9,365)
<b>OTHER FINANCING SOURCES</b>			
Operating Transfers In	<u>5,000</u>	<u>5,000</u>	<u>-</u>
EXCESS OF REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID	(43,139)	(33,774)	(9,365)
CASH BASIS FUND BALANCE - BEGINNING OF YEAR	<u>46,769</u>	<u>46,769</u>	<u>-</u>
CASH BASIS FUND BALANCE - END OF YEAR	<u>\$ 3,630</u>	<u>\$ 12,995</u>	<u>\$ (9,365)</u>

HIGGINS TOWNSHIP  
CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit G-1

	Fire Equipment Fund	Ambulance Vehicle Fund	Total
<b>ASSETS</b>			
Investments	\$ 66,737	\$ 53,086	\$ 119,823
<b>LIABILITIES AND CASH BASIS FUND BALANCE</b>			
CASH BASIS FUND BALANCE			
Reserved for Capital Outlay	\$ 66,737	\$ 53,086	\$ 119,823

CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEAR ENDED MARCH 31, 2004

Exhibit G-2

	Fire Equipment Fund	Ambulance Vehicle Fund	Total
<b>REVENUE COLLECTED</b>			
Interest	\$ 102	\$ 357	\$ 459
Sale of Fixed Asset	8,600	-	8,600
<b>TOTAL REVENUE COLLECTED</b>	8,702	357	9,059
<b>EXPENDITURES PAID</b>			
Truck Payment	62,963	-	62,963
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID</b>	(54,261)	357	(62,504)
<b>OTHER FINANCING SOURCES</b>			
Operating Transfers In	58,528	5,000	63,528
<b>EXCESS OF REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID</b>	4,267	5,357	9,624
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	62,470	47,729	110,199
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	\$ 66,737	\$ 53,086	\$ 119,823



HIGGINS TOWNSHIP  
FIRE EQUIPMENT FUND  
STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit H-1

**ASSETS**

Investments

\$ 66,737

**LIABILITIES AND CASH BASIS FUND BALANCE**

CASH BASIS FUND BALANCE

Reserved for Capital Outlay

\$ 66,737

FIRE EQUIPMENT FUND  
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND  
CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2004

Exhibit H-2

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
<b>REVENUE COLLECTED</b>			
Interest	\$ 1,000	\$ 102	\$ 898
Sale of Fixed Asset	<u>8,600</u>	<u>8,600</u>	<u>-</u>
<b>TOTAL REVENUE COLLECTED</b>	9,600	8,702	898
<b>EXPENDITURES PAID</b>			
Truck Payment	<u>62,139</u>	<u>62,963</u>	<u>(824)</u>
<b>EXCESS OF REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID</b>	(52,539)	(54,261)	1,722
<b>OTHER FINANCING SOURCES</b>			
Operating Transfers In	<u>58,528</u>	<u>58,528</u>	<u>-</u>
<b>EXCESS OF REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID</b>	5,989	4,267	1,722
<b>CASH BASIS FUND BALANCE - BEGINNING OF YEAR</b>	<u>62,470</u>	<u>62,470</u>	<u>-</u>
<b>CASH BASIS FUND BALANCE - END OF YEAR</b>	<u>\$ 68,459</u>	<u>\$ 66,737</u>	<u>\$ 1,722</u>

HIGGINS TOWNSHIP  
AMBULANCE VEHICLE FUND  
STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit I-1

**ASSETS**

Investments

\$ 53,086

**LIABILITIES AND CASH BASIS FUND BALANCE**

CASH BASIS FUND BALANCE

Reserved for Capital Outlay

\$ 53,086

AMBULANCE VEHICLE FUND  
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID, AND  
CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2004

Exhibit I-2

**REVENUE COLLECTED**

Interest Revenue

<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
\$ 850	\$ 357	\$ 493

**OTHER FINANCING SOURCES**

Operating Transfers In

<u>5,000</u>	<u>5,000</u>	<u>-</u>
--------------	--------------	----------

EXCESS OF REVENUE COLLECTED OVER (UNDER)  
OTHER FINANCING SOURCES

5,850	5,357	493
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CASH BASIS FUND BALANCE - BEGINNING OF YEAR

<u>47,729</u>	<u>47,729</u>	<u>-</u>
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CASH BASIS FUND BALANCE - END OF YEAR

<u>\$ 53,579</u>	<u>\$ 53,086</u>	<u>\$ 493</u>
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HIGGINS TOWNSHIP  
TRUST AND AGENCY FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit J

	Current Tax Collections Fund	Payroll Fund	Total
<b>ASSETS</b>			
Cash in Checking	\$ 740	\$ 1	\$ 741
Cash in Savings	2,380	843	3,223
Investments	106	-	106
<b>TOTAL ASSETS</b>	<b>\$ 3,226</b>	<b>\$ 844</b>	<b>\$ 4,070</b>
<b>LIABILITIES</b>			
Due to Other Funds	\$ 350	\$ -	\$ 350
Payroll Withholdings Payable	-	844	844
Undistributed Taxes	2,876	-	2,876
<b>TOTAL LIABILITIES</b>	<b>\$ 3,226</b>	<b>\$ 844</b>	<b>\$ 4,070</b>

TRUST AND AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
MARCH 31, 2004

Exhibit K

	Balance 04/01/03	Additions	Deletions	Balance 03/31/04
<b>ASSETS</b>				
Cash	\$ 3,633	\$ 4,566,649	\$ 4,566,212	\$ 4,070
<b>LIABILITIES</b>				
Undistributed Taxes	\$ 2,155	\$ 4,505,492	\$ 4,504,771	\$ 2,876
Due to Other Funds	350	-	-	350
Payroll Withholdings	1,128	61,157	61,441	122,598
<b>TOTAL LIABILITIES</b>	<b>\$ 3,633</b>	<b>\$ 4,566,649</b>	<b>\$ 4,566,212</b>	<b>\$ 4,070</b>



HIGGINS TOWNSHIP  
PAYROLL FUND  
STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit L-1

**ASSETS**

Cash in Checking  
Cash in Savings

\$       1  
843

**TOTAL ASSETS**

\$       844

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Payroll Withholdings Payable

\$       844

PAYROLL FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2004

Exhibit L-2

**ASSETS**

Cash

<u>Balance 04/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 03/31/04</u>
\$   1,128	\$   61,157	\$   61,441	<u>\$       844</u>

**LIABILITIES**

Payroll Withholdings

<u>\$   1,128</u>	<u>\$   61,157</u>	<u>\$   61,441</u>	<u>\$       844</u>
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HIGGINS TOWNSHIP  
CURRENT TAX COLLECTIONS FUND  
STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

Exhibit M-1

**ASSETS**

Cash in Checking	\$ 740
Cash in Savings	2,380
Investments	<u>106</u>

**TOTAL ASSETS**

\$ 3,226

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Due to Other Funds	\$ 350
Undistributed Taxes	<u>2,876</u>

**TOTAL LIABILITIES**

\$ 3,226

CURRENT TAX COLLECTIONS FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2004

Exhibit M-2

	Balance 04/01/03	Additions	Deletions	Balance 03/31/04
<b>ASSETS</b>				
Cash	\$ 2,505	\$ 4,505,492	\$ 4,504,771	\$ 3,226
<b>LIABILITIES</b>				
Undistributed Taxes	\$ 2,155	\$ 4,505,492	\$ 4,504,771	\$ 2,876
Due to Other Funds	<u>350</u>	<u>-</u>	<u>-</u>	<u>350</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,505</u>	<u>\$ 4,505,492</u>	<u>\$ 4,504,771</u>	<u>\$ 3,226</u>

HIGGINS TOWNSHIP  
GENERAL FUND  
SCHEDULE OF EXPENDITURES PAID BY  
OBJECT ACCOUNT  
YEAR ENDED MARCH 31, 2004

Schedule 1

<b>GENERAL GOVERNMENT</b>	
<b>Township Board</b>	
Fees and Per Diems	\$ 3,362
Memberships and Dues	3,843
Office Supplies	6,206
Miscellaneous	22
Equalization Support	<u>4,812</u>
Total Township Board	18,245
<b>Supervisor</b>	
Salaries and Wages	11,195
Contract Labor	<u>139</u>
Total Supervisor	11,334
<b>Assessor</b>	
Salaries & Wages	25,495
Supplies	<u>1,258</u>
Total Assessor	26,753
<b>Attorney</b>	
Legal Fees	553
<b>Clerk</b>	
Salaries and Wages	16,047
<b>Board of Review</b>	
	908
<b>Treasurer</b>	
Salaries & Wages	19,023
Contract Labor	<u>56</u>
Total Treasurer	19,079
<b>Township Hall and Grounds</b>	
Postage	3,260
Security	1,289
Snow Removal	1,300
Lawn Care	1,284
Communications	1,729
Water and Sewer	1,508
Heating	845
Electricity	1,136
Building and Grounds	1,677
Office Equipment	<u>2,185</u>
Total Township Hall and Grounds	16,213



HIGGINS TOWNSHIP  
GENERAL FUND  
SCHEDULE OF EXPENDITURES PAID BY  
OBJECT ACCOUNT  
YEAR ENDED MARCH 31, 2004

Schedule 1  
(Continued)

PUBLIC SAFETY	
Police	
Salaries and Wages	\$ 475
PUBLIC WORKS	
Street Lighting	4,075
SANITATION	
Trash Pick Up	
Contractual Services	74,161
Compost Site	
Contractual Services	9,016
RECREATION AND CULTURE	
Parks Contributions	1,750
Fireworks Contributions	500
PLANNING	
Zoning Administrator	
Salaries and Wages	2,600
Zoning Board	<u>2,534</u>
Total Zoning Administrator	5,134
OTHER FUNCTIONS	
Insurance not Charged to Specific Activities	
Liability Insurance	21,896
Fringe Benefits	
Social Security Tax and Medicare	<u>12,476</u>
TOTAL GENERAL FUND EXPENDITURES PAID	<u>\$238,615</u>



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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 8, 2004

Township Board  
Higgins Township  
Roscommon Township, Michigan

We have recently completed our audit of the financial statements of Higgins Township for the year ended March 31, 2004. As required by generally accepted auditing standards, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of Higgins Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error and remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."



Township Board  
Higgins Township  
Roscommon County, Michigan

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the audit must work with economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at a reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion".

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### **SIGNIFICANT ACCOUNTING POLICIES**

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies of their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements.

#### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility of that future event affecting them may differ markedly from management's current judgment; 2) Significant audit adjustments that may not have been detected except through the auditing procedures performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

Various adjusting journal entries were made to reclassify the State Construction Code Enforcement Activity to its own Special Revenue Fund. These journal entries can be obtained from the Township Clerk.

Testing on the Ambulance Fund Charges for Services revenue account was limited to those transactions for which cash was received and recorded consistent with the cash basis of accounting adopted by the Township. No consideration was given to the validity of receivables outstanding. The board should be aware of this and consider additional periodic internal evaluation of billings and collections to ensure that all possible revenues are being collected.



Township Board  
Higgins Township  
Roscommon County, Michigan

#### GASB 34 IMPLEMENTATION

In 1999, the Governmental Accounting Standards Board issued Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The implementation date of this pronouncement for Higgins Township will begin with the year ended March 31, 2004 and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions will not change significantly, however, the Township will be required to maintain additional records for year end adjustments to the final presentation format. The time to convert to the new reporting format is significant and will result in additional audit fees. The Township may consider the possibility of not implementing this new standards and whether an adverse opinion or OCBOA opinion will be acceptable for future plans and by public perception.

#### COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

In planning and performing our audit of the financial statements of Higgins Township, for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the March 31, 2004, financial statements, and this report does not affect our report on those financial statements dated September 8, 2004. We have not considered internal control since the date of our report.

#### REPORTABLE CONDITIONS (MATERIAL WEAKNESSES)

##### GENERAL FIXED ASSETS

The township should continue its efforts to compile a record of its general fixed assets. A record of the fixed assets should be kept, noting any additions or deletions from the record. A list has been prepared for the office equipment and furniture but has been included in the financial statements because it still requires inventory for the fixed assets of the Ambulance and the Fire Department. (Repeated Comment)

Township Board  
Higgins Township  
Roscommon County, Michigan

REPORTABLE CONDITIONS (MATERIAL WEAKNESSES) (Continued)

MINUTES

It is recommended that the minutes mention the list of bills presented to the board for approval was discussed and approved. Also the list should include the check numbers to ensure that checks are not written without the board's consent. (Repeated Comment)

SUMMARY

We would like to thank the Township personnel and Officials for the cooperation we received from them throughout the course of the audit. We welcome any questions you may have regarding the foregoing comments and would be happy to discuss any of these or other questions that you might have at your convenience.

*Page, Olson & Company*